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An Audit Report on

Performance Measures at the Funeral Service Commission

November 2008

Report No. 09-012



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Overall Conclusion

The Funeral Service Commission (Commission) reported reliable results for five of six (83 percent) key performance measures tested for fiscal year 2007 and the first three quarters of fiscal year 2008. A performance measure result is considered reliable if it is certified or certified with qualification.

Five key performance measures tested were certified with qualification. These included:

- Number of Complaints Resolved.
- Percent of Complaints Resulting in Disciplinary Action.
- Number of Jurisdictional Complaints Received.
- Number of Establishments Inspected.
- Number of New Licenses Issued to Individuals.

Factors prevented certification of one performance measure—Total Number of Individuals Licensed—because the Commission did not:

- Follow the definition and methodology included in the Automated Budget and Evaluation System of Texas (ABEST).
- Maintain documentation to support the results reported in ABEST. As a result, the correct performance measure result could not be determined.
- Have adequate policies and procedures for calculating and reviewing the number of individual licenses prior to reporting the result into ABEST.

Table 1 on the next page summarizes the certification results from audit testing.

Background Information

Agencies report results for their key measures to the Legislative Budget Board's budget and evaluation system, which is called the Automated Budget and Evaluation System of Texas, or ABEST.

The Funeral Service Commission's (Commission) mission is to protect the public from deceptive practices and to ensure that the final disposition of every citizen is conducted at the highest level of professional standards and ethical conduct.

Table 1

Funeral Service Commission (513)				
Related Objective or Strategy, Classification	Description of Measure	Fiscal Year	Results Reported in ABEST	Certification Results
B.1.1. Output	Number of Complaints Resolved	2007 2008 - 1st to 3rd quarters	187 179	Certified with Qualification
B.1.1. Outcome	Percent of Complaints Resulting in Disciplinary Action	2007	31%	Certified with Qualification
B.1.1. Explanatory	Number of Jurisdictional Complaints Received	2007	221	Certified with Qualification
B.1.1. Output	Number of Establishments Inspected	2007 2008 - 1st to 3rd quarters	1,473 917	Certified with Qualification
A.1.1. Output	Number of New Licenses Issued to Individuals	2007	430	Certified with Qualification
A.1.1. Explanatory	Total Number of Individuals Licensed	2007	4,696	Factors Prevented Certification

A measure is **Certified** if reported performance is accurate within plus or minus 5 percent of actual performance and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.

A measure is **Certified With Qualification** when reported performance appears accurate, but the controls over data collection and reporting are not adequate to ensure continued accuracy. A measure is also certified with qualification when controls are strong but source documentation is unavailable for testing. A measure is also certified with qualification if agency calculation of performance deviated from the measure definition but caused less than a 5 percent difference between the number reported in ABEST and the correct performance measure result.

A measure is **Inaccurate** when the actual performance is not within 5 percent of reported performance, or when there is more than a five percent error in the sample of documentation tested. A measure is also inaccurate if the agency's calculation deviated from the measure definition and caused more than a 5 percent difference between the number reported in ABEST and the correct performance measure result.

A **Factors Prevented Certification** designation is used if documentation is unavailable and controls are not adequate to ensure accuracy. This designation also will be used when there is a deviation from the measure definition and the auditor cannot determine the correct performance measure result.

Summary of Management's Response

The Commission generally agreed with the findings and recommendations in this report. However, because of its small size, the Commission does not intend to fully implement recommendations to address identified information technology weaknesses. The Commission's responses to specific recommendations are presented immediately following each set of recommendations in the Detailed Results section of this report.

Summary of Information Technology Review

Auditors assessed the information technology (IT) controls over the Commission's information systems and other automated processes used for performance measure data. Auditors evaluated general IT controls, including logical access, program change management, physical security, and disaster recovery. Auditors also

reviewed application controls, including input controls, process controls, and output controls.

The Commission's overall IT controls were not adequate to ensure the security and reliability of performance measure data. Auditors identified several weaknesses in the Commission's controls over its automated systems, applications, and data. However, the Commission had adequate controls over the spreadsheets used to collect and calculate the results for four of the key performance measures reviewed.

Summary of Objectives, Scope, and Methodology

The objectives of the audit were to determine whether the Commission:

- Accurately reported selected key performance measures in ABEST.
- Had adequate control systems in place over the collecting, calculating, and reporting of selected key performance measures.

The audit scope included six key performance measures the Commission reported for fiscal year 2007 and the first three quarters of fiscal year 2008. Auditors also reviewed the controls over the collection, calculation, review, and reporting of performance measures and traced performance measure documentation to the original source when possible.

The audit methodology consisted of selecting six key performance measures, auditing reported results for accuracy and adherence to measure definitions, analyzing data flow to evaluate whether proper controls were in place, testing a sample of source documents, and conducting a high-level review of all information systems that support performance measure data.

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Detailed Results

Chapter 1

The Commission Reported Reliable Results for Five of Six Performance Measures; However, It Should Improve Its Processes for Calculating and Reviewing Results

The Funeral Service Commission (Commission) should develop and implement detailed policies and procedures and conduct supervisory reviews for the collection, calculation, and reporting of its performance measures.

The Commission reported reliable results for five of the six (83 percent) key performance measures that auditors tested for fiscal year 2007 and the first three quarters of fiscal year 2008.

However, for all six key performance measures tested, the Commission did not have detailed, written policies and procedures describing the collection, calculation, review, and reporting of performance measure data. The Commission developed some written policies and procedures in August 2008; however, those policies and procedures were not detailed and did not contain procedures specific to performance measures. In addition, the Commission lacked adequate supervisory reviews to ensure continued accuracy of reported results. Without detailed policies and procedures and adequate reviews, the Commission cannot ensure the continued accuracy of its performance measures.

Recommendations

The Commission should:

- Develop and implement written policies and procedures for ensuring adequate controls over the collection, calculation, and review of performance measure results. *The Guide to Performance Measure Management* (State Auditor's Office Report No. 06-329, August 2006) is a helpful resource for developing procedures for performance measure reporting.
- Implement an independent, documented review of the source documents used to calculate performance measure results.
- Implement an independent, documented review of the measure results entered into the Automated Budget and Evaluation System of Texas (ABEST) to ensure the accuracy of reported results.

Management's Response

The agency agrees with the above findings. For each of the agency's divisions (licensing, enforcement and inspection), the agency will develop specific, detailed policies and procedures, including method of collection of source documents for calculation of performance measures. The agency will also implement an independent documented review of the source documents by the Licensing Manager and the Enforcement Manager in their respective divisions. Additionally, the agency will implement an independent documented review of the calculation of the measure results by the Executive Director, prior to entry into the ABEST system.

The agency will implement these changes by January 1, 2009. The Licensing Manager, Enforcement Manager and Chief Financial Officer will be responsible for the implementation.

Key Measures

Number of Complaints Resolved

Percent of Complaints Resulting in Disciplinary Action

Number of Jurisdictional Complaints Received

Results: Certified with Qualification

A measure is Certified with Qualification when reported performance appears accurate, but the controls over data collection and reporting are not adequate to ensure continued accuracy.

The reported results for these measures were accurate; however, the measures were certified with qualification because the Commission did not ensure it recorded accurate dates for when a complaint was received or when it was resolved. The Commission used spreadsheets to collect and calculate these three performance measures. However, different employees used different source documents to identify the date when a complaint was received or the date when a complaint was resolved. As a result, the Commission could not ensure that these dates were identified and entered using a consistent methodology. In addition, the Commission lacked policies and procedures that clearly identified how these dates should be calculated and entered into the spreadsheet.

Recommendations

The Commission should:

- Ensure that its policies and procedures describe how the dates when complaints are received and resolved should be identified.
- Provide training to all employees to ensure they understand which source documents should be used in identifying dates for these measures.

Management's Response

The agency agrees with the above findings. The agency will develop specific, detailed policies and procedures relating to the method of collection of source documents for calculation of these performance measures. Specifically, these policies and procedures will include documentation on how to determine the date a complaint is received in the agency, and the date a complaint is closed, for each type of complaint that the agency processes. Additionally, these policies and procedures will include specifics on how to log these complaints onto the spreadsheet used as a source document for calculation of the measures. All affected staff will be trained on these policies and procedures.

The agency will implement these changes by January 1, 2009. The Enforcement Manager will be responsible for the implementation.

Number of Establishments Inspected

Number of New Licenses Issued to Individuals

The reported results for these measures were accurate; however, the measures were certified with qualification because the Commission did not have adequate policies and procedures that describe the collection and calculation of the measures' data and lacked documented supervisory reviews.

Results: Certified with Qualification

A measure is Certified with Qualification when reported performance appears accurate, but the controls over data collection and reporting are not adequate to ensure continued accuracy.

In addition, the Commission's procedures for collecting and calculating the Number of Establishments Inspected deviated from the measure's methodology in ABEST. The methodology in ABEST indicates that the measure should be collected and calculated using the Commission's LicenseEase database; however, the Commission instead used a spreadsheet to collect the data and calculate the measure.

The Commission also did not ensure the dates entered into this spreadsheet matched the dates listed on the inspection reports. Auditors identified inaccurate dates that had been entered into the spreadsheet. The Commission's procedures did not include a supervisory review of the data entered to ensure that it was consistent with the dates in the source documents. If accurate dates are not entered into the spreadsheet, the Commission cannot ensure that inspections are included in the reported results for the correct fiscal year.

Recommendations

The Commission should:

- Ensure the methodology in ABEST agrees with the Commission's current procedures for calculating the Number of Establishments Inspected and contains an accurate description of the data source.
- Ensure the dates entered into the spreadsheet used to calculate the Number of Establishments Inspected are reviewed and accurately reflect the dates listed on inspection reports.

Management's Response

The agency agrees with the above findings. The agency will develop specific, detailed policies and procedures relating to the method of collection of source documents for calculation of these performance measures. Specifically, these policies and procedures will include documentation on how to determine the date an inspection should be entered onto the inspection spreadsheet which is used to calculate the Number of Establishments Inspected. Additionally, the agency will change the methodology and data source in ABEST to reflect the method the agency actually uses to calculate this measure.

The agency will implement these changes by January 1, 2009. The Enforcement Manager and the Chief Financial Officer will be responsible for the implementation.

Total Number of Individuals Licensed

Factors prevented certification of this measure because the Commission did not follow the definition and methodology included in ABEST, and it did not maintain supporting documentation for the results reported in ABEST. As a result, the correct performance measure result could not be determined.

Results: Factors Prevented Certification

Factors Prevented

Certification of a measure when documentation was unavailable and if there was a deviation from the measure definition and the auditor could not determine the correct performance measure result.

The Commission assigns a status code for each type of license it issues. This code is entered into its LicenseEase database, which the Commission uses to calculate the Total Number of Individuals Licensed. However, the query the Commission used did not include the status code for provisional licenses, which are licenses issued on a trial basis to individual funeral directors or embalmers working under a currently licensed individual. As a result, the Commission did not follow the measure's definition, which requires the Commission to report the total numbers of licenses issued to individuals during the reporting period.

In addition, the Commission did not retain supporting documentation indicating the names and other identifying data for the individuals issued a license or the date that the license was issued. The Commission's database overwrites the licensing data once a reporting period is closed. As a result, the correct results for this measure for fiscal year 2007 could not be calculated.

Recommendations

The Commission should:

- Ensure that all license groups, including provisional licenses, are included in the reported results for Total Number of Individuals Licensed.
- Ensure that documentation supporting the results reported into ABEST is obtained and maintained.

Management's Response

The agency agrees with the above findings. The agency will develop specific, detailed policies and procedures relating to the method of collection of source documents for calculation of this performance measure. The agency has already requested from its vendor the programming change that will include the code (status code 19) that captures the provisional licenses in this count. Additionally, for the calculation of this measure for FY 2008, the agency has retained the detailed supporting documentation including names and other identifying information of the total number of individuals licensed. Also, the agency will change the methodology and data source in ABEST to reflect the method the agency actually uses to calculate this measure.

The agency will implement these changes by January 1, 2009. The Licensing Manager and the Chief Financial Officer will be responsible for the implementation.

The Commission Should Strengthen Controls Over Its Licensing and Enforcement System and Other Automated Processes

The Commission does not have adequate controls over its information technology to ensure the security and reliability of its performance measure data.

Auditors identified several weaknesses in the Commission's controls over its automated systems, applications, and data. Specifically:

- The Commission lacked password policies and procedures, and its password management controls lacked password constraints.
- The Commission's LicenseEase database accepted unrealistic dates of birth and invalid Social Security numbers.
- The Commission did not have a current disaster recovery plan that had been recently tested.
- The Commission did not restrict access to its server room to authorized individuals and lacked written emergency procedures for the server room.
- The Commission stored paper files and boxes in the server room, which is considered a fire hazard to the server. In addition, the Commission's server room was not protected against water damage.

However, the Commission had adequate controls over the spreadsheets used to collect and calculate the results for four of the key performance measures reviewed.

Recommendations

The Commission should:

- Develop password policies and procedures and implement password controls that comply with Title 1, Texas Administrative Code, Section 202.25.
- Strengthen edit checks in its LicenseEase database to ensure that it does not accept inaccurate birth dates and invalid Social Security numbers.
- Update its disaster recovery plan and perform an annual, documented test of the plan as required by Title 1, Texas Administrative Code, Section 202.24.

- Improve the physical security of its information technology to ensure that (1) the appropriate personnel have access to the server room and (2) the server room is protected against fire hazards and water damage.

Management's Response

The agency agrees with the above findings, but is willing to accept some risk due to the size of the agency. For example, due to lack of storage space, paper boxes and files must be stored in the same area that the servers are in. While this may create a fire hazard, it would be cost prohibitive to the agency to either (1) build a separate server room, or (2) purchase a fireproof box to house the servers. In lieu of this, the agency chooses to perform daily backups of all agency data, and store these backups at an offsite facility. Concerning the risk of water damage, the agency has now raised the servers off the floor. While this may not protect against the damage from activated water sprinklers, it will protect against damage from flooding due to a burst water pipe. The agency strives to maintain protection of its data, but lack of storage space and funding prohibit the agency from taking further measures. The agency believes that the offsite storage of daily backup tapes is the most feasible method of protecting data that the agency has at this time.

In other areas, the agency will meet with its outsourced database vendor to research the issue of strengthening password controls, and if feasible, the agency will develop password policies and procedures to implement them. Also, the agency will research the issue of inaccurate birth dates and invalid social security numbers with the vendor. If these changes are not cost prohibitive, the agency will implement them accordingly.

The agency will review its disaster recovery plan on an annual basis, and make updates to it as needed. One update to the plan will be to include a section on emergency procedures for its server room. Additionally, the agency will research the documented testing of its plan, and if not cost prohibitive, will test it on a yearly basis.

The agency will implement these changes by March 1, 2009. The Licensing Manager and the Executive Director will be responsible for the implementation.

Appendix

Appendix

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to determine whether the Funeral Service Commission (Commission):

- Accurately reported key performance measures in the Automated Budget and Evaluation System of Texas (ABEST).
- Had adequate control systems in place over the collecting, calculating, and reporting of selected key performance measures.

Scope

The audit scope included six key performance measures the Commission reported for fiscal year 2007 and the first three quarters of fiscal year 2008. Auditors also reviewed controls over the collection, calculation, review, and reporting of performance measure results and traced the performance measure documentation to the original source when possible.

Methodology

The audit methodology consisted of selecting six key performance measures that the Commission reported in ABEST. The Commission completed questionnaires related to its performance measurement process to help identify preliminary control information.

Specific tests and procedures included:

- Auditing measure calculations for accuracy and to ensure they were consistent with the methodology on which the Commission and the Legislative Budget Board agreed.
- Analyzing data flow to evaluate whether proper controls were in place.
- Testing a sample of source documents, when available, to verify the accuracy of reported performance.
- Conducting a high-level review of all information systems that support the Commission's performance measure data.
- Certifying performance measure results in one of four categories: (1) Certified, (2) Certified with Qualification, (3) Inaccurate, and (4) Factors Prevented Certification.

Criteria used included the following:

- *The Guide to Performance Measure Management* (State Auditor's Office Report No. 06-329, August 2006).
- ABEST measure definitions.

Project Information

Audit fieldwork was conducted from August 2008 through October 2008. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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- Adam M. Wright
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The Honorable Warren Chisum, House Appropriations Committee
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